

Message Text

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ORIGIN ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 USIA-06
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-----128624 251035Z /23

R 250141Z MAR 78
FM SECSTATE WASHDC
TO AMEMBASSY CARACAS

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E.O. 11652: N/A

TAGS: ENRG, EINV, VE

SUBJECT:PROPOSED VENEZUELAN INVESTMENT IN VIRGIN
ISLANDS REFINERY

REF: CARACAS 2745

1. GIDEON HADARY OF VIRCO, ACCOMPANIED BY CHASE
MANHATTAN VP WILLIAM PHILLIPS, AND ALPHONSO CHRISTIAN,
WASHINGTON LAWYER REPRESENTING VIRCO, CALLED ON
ASSISTANT SECRETARY TODMAN TODAY REGARDING PROPOSED
VIRCO PROJECT. HADARY'S PRINCIPAL PURPOSE OBVIOUSLY
WAS TO PERSUADE TODMAN TO INITIATE DISCUSSION OF
THE VIRCO PROJECT WITH HIGH-LEVEL GOV OFFICIALS
WHILE HE IS IN CARACAS WITH PRESIDENT CARTER, AND
TO GIVE THE UNDERTAKING "A MORE POSITIVE BENEDICTION"
THAN THE "WISHY-WASHY" WORDS HE HAS BEEN GETTING
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OUT OF THE ADMINISTRATION ABOUT IT BEING THE POLICY
OF THE USG NEITHER TO ENCOURAGE NOR DISCOURAGE
FOREIGN INVESTMENT IN THE UNITED STATES AND ITS
TERRITORIES.

2. TODMAN INDICATED HE WOULD BE PLEASED TO DISCUSS
THE SUBJECT IF GOV OFFICIALS RAISED IT WITH HIM.

HADARY ASSURED TODMAN THAT HIS REPRESENTATIVES IN CARACAS WOULD SEE TO THIS.

3. WITH RESPECT TO SUBSTANCE OF WHAT MIGHT BE SAID, TODMAN ADVISED THAT HE WAS PREPARED TO SAY THAT WE WELCOME SUCH FORMS OF INVESTMENT, BUT HE WOULD NEED TO POINT OUT WHAT USG POLICY IS ON INWARD OR OUTWARD INVESTMENT FLOWS. HADARY APPEALED FOR A PERIOD AFTER "WELCOME." TODMAN MADE NO COMMITMENT, BUT POINTED OUT THAT WHEN HE MADE THIS STATEMENT OF OUR GENERAL FOREIGN INVESTMENT POSITION RECENTLY TO MINISTER OF ENERGY AND MINES HERNANDEZ, THE LATTER APPEARED TO UNDERSTAND AND ACCEPT IT. HADARY CONTENTED OTHERS VIRCO MUST WORK WITH ARE LOOKING FOR A MORE DEFINITIVE STATEMENT OF USG POLICY IN THIS INSTANCE.

4. CHASE REPRESENTATIVE EXPLAINED THAT HIS INSTITUTION IS DEEPLY CONCERNED ABOUT US INCREASING DEPENDENCE UPON IMPORTED PETROLEUM PRODUCTS, AND CONSIDER IT TO BE IN U.S. NATIONAL INTEREST TO EXPAND DOMESTIC REFINING CAPACITY. UNFORTUNATELY, ENVIRONMENTALISTS HAVE SUCCEEDED IN KILLING MANY GOOD PROJECTS STATE-SIDE. THIS ONE HAS ALL THE PERMITS THAT ARE REQUIRED. FURTHERMORE, CHASE FINDS THE PROJECT SOUND ECONOMICALLY, RIGHT FROM AN ENGINEERING STANDPOINT AND ABLE TO LIMITED OFFICIAL USE

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COUNT ON A GUARANTEED SOURCE OF CRUDE. IT IS WILLING TO BACK UP THE UNDERTAKING FINANCIALLY ALONG WITH OTHER SOURCES.

5. HADARY CLAIMED VIRCO HAS SUNK \$25 MILLION INTO THE PROJECT TO DATE. IT'S SERIOUS, HE SAID.

6. HADARY SAID HE WOULD BE IN CARACAS THE WEEK OF APRIL 2 FOR MEETINGS WITH THE MINISTERS OF FOREIGN AFFAIRS, FINANCE AND INVESTMENT AND THE SECRETARY GENERAL TO THE PRESIDENT. HE AGAIN MADE A PITCH TO HAVE AMBASSADOR VAKY ACCOMPANY HIM. TODMAN SAID THAT WE HAVE BEEN IN TOUCH WITH OUR EMBASSY; IT WILL RENDER APPROPRIATE ASSISTANCE IF IT IS SOUGHT; BUT IT WOULD NOT BE APPROPRIATE FOR THE AMBASSADOR TO JOIN IN THESE CALLS. HADARY SEEMED TO ACCEPT THIS POINT. VANCE

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